United States Court of Appeals

for the Second Circuit

APPELLANT'S REPLY BRIEF

No. 74-1757

To be argued by
MARY HELEN SEARS

IN THE
United States Court of Appeals
FOR THE SECOND CIRCUIT

No. 74-1757

LEE PHARMACEUTICALS,
Appellant

v.

CERAMCO, INC.,
Appellee

Appeal from the United States District Court for the Eastern District of New York

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APPELLANT'S REPLY BRIEF

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TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases:

Statutes:

TABLE OF AUTHORITIES—Cited—Continued

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I. THE ULTIMATE ISSUE BEFORE THE COURT

The ultimate issue to be determined on this appeal is whether Ceramco counsel's acknowledged professional misconduct in

(1) improperly and surreptitiously contacting the defendant Lee Pharmaceuticals in derogation of Canon 7 for the acknowledged purpose of obtaining information to be utilized to obtain an unfair advantage in prospective litigation *against* Lee, and

(2) including that information, in derogation of Canon 5 in the verified complaint and other *ex parte* affidavits which were intended to, and did, induce action by the district court against Lee,[1]

compromises Lee's right not only to a fair trial but also to a trial that *appears* wholly fair. If so, disqualification of the offending counsel and other measures designed to restore the *status quo ante*, including expungement of the verified complaint and related *ex parte* affidavits and vacation of all dependent proceedings, are appropriate.[2]

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[1] Ceramco counsel included the unfairly and surreptitiously procured information in the verified complaint (A 8-13) and the accompanying *ex parte* affidavit of Ceramco's president (A 18-49; especially at A 21). These papers were relied upon to induce an *ex parte* order (A 15) authorizing long arm service of the complaint upon Lee in California and an *ex parte* show cause order (A 16) directing Lee to demonstrate on short notice why a preliminary injunction should not immediately be issued.

When Lee later moved (A 55-56) to dismiss on grounds of improper venue, defective process, defective service of process and lack of personal and subject matter jurisdiction pursuant to Rule 12(b), Ceramco advanced a further affidavit of one of its counsel, Mr. Towell (A 59-61) again relying on the tainted information and, this time, describing how it was procured.

Manifestly, *if* Ceramco had proceeded fairly based on the information it could ethically obtain, this action would have been instituted as of April 12, 1974, if at all, in the Central District of California, where Lee Pharmaceuticals resides and has its sole place of business—and Ceramco would have been relegated to the *fair* and ethical method of obtaining information about the location of Lee's dental dealer customers through discovery in accordance with the Federal Rules of Civil Procedure. Because it did not, Lee's right to a trial that is, and appears to be, wholly fair, is severely jeopardized.

[2] Specifically, Lee's motion which resulted in this appeal was

"1. That Thomas W. Towell, Jr. and the firm of Rodgers [sic] & Wells be disqualified from further participation in the litigation, and for such other relief as the Court may deem just and proper; and

2. That the plaintiff be precluded from relying for any purpose upon the aforesaid (1) verified complaint in this

II. CERAMCO'S FAILURE TO MEET THIS ULTIMATE ISSUE

In its brief on this appeal, Ceramco has neither come to grips with this question nor tried to show that the challenged conduct was ethical. Instead, Ceramco counsel advance two arguments: *to wit*, that

(a) the federal courts, *nisi prius* and appellate, lack jurisdiction to adjudicate ethical breaches (Issues 1 and 2, C.B. 2), and

(b) alternatively, the apposite Canons of Ethics and associated Disciplinary Rules should be judicially amended to excuse Ceramco counsel's ethical violation (Issue 3, C.B. 2).

These arguments are made against the backdrop of an inaccurate alleged "Statement of the Case" (C.B. 3-7) which bears only partial relationship to what transpired below and has been artfully designed to obscure and even misrepresent the facts showing that Lee has been injured by Ceramco counsel's misconduct because its right to a trial that is, and appears to be, wholly fair has been severely impaired.

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action (2) the affidavit of H. Gordon Pelton entitled 'Affidavit in Support of Order to Show Cause' and verified April 11, 1974 (3) the affidavit of Thomas W. Towell, Jr. verified April 29, 1974 and (4) the testimony of Irving Penchuk and J. Cohn taken May 9, 1974 in this action.

3. That the Court wholly disregard and strike the aforesaid complaint, Pelton affidavit and Penchuk and Cohn testimony except only to the extent that consideration of said items may be necessary in connection with its disposition of this motion." (A 183)

Lee did *not*, as Ceramco erroneously represents, move "to require Ceramco to start its action anew" (C.B. 1), but left the question of whether Ceramco should even attempt again to institute litigation against Lee on the same subject matter to the discretion of such new counsel as Ceramco might elect to consult.

III. CERAMCO'S FACTUAL MISSTATEMENTS

In what has proved to be typical fashion, Ceramco counsel have recklessly and imprecisely fashioned their "Statement of the Case" (C.B. 3-7) to present an inaccurate factual picture which is not supported by the record.

Of major significance to the disposition of this case in this Court are the following factual errors and unsupported allegations advanced by Ceramco:[3]

> (1) The representations that Mr. Towell in his first unethical and unauthorized contact with Lee "called *a clerk* in Lee's order department" (C.B. 3) and that in his second contact "similar information was freely provided by *a clerk*" (C.B. 4) lack record support. The capacity at Lee of the person consulted is *not* established. Mr. Towell's April 29, 1974 affidavit says only that in his first prelitigation call to Lee, "I asked for and was referred to the *Order Department*. When the Order Department answered, I stated I was interested in Lee's Genie dental adhesive product and inquired whether Lee had any dealers in New York who sold this product in the New York City area" and then continues to describe

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[3] Some of the inaccuracies have little importance in this Court other than to show the habitually reckless manner in which Ceramco counsel dispenses them. Thus, for example,

(a) the action is *not* for "trademark infringement" (C.B. 3, 7) in the federal court below because Ceramco *has no* federal trademark and no right of action under 15 U.S.C. 1114. Moreover, Ceramco has admitted under oath in answer to Lee's interrogatory 13 in the district court that it cannot support the $10,000 jurisdictional amount requisite under 28 U.S.C. 1332 to invoke diversity jurisdiction for its common law trademark infringement plea and the complaint on its face posits the federal claim as arising "under Section 43(a) of the Trademark Act of 1946, 15 U.S.C. § 1125(a)" (A 11, par. 15).

(b) the Lee product in issue is not a generalized "dental adhesive" but a specialized product designed and advertised only for adhering orthodontic brackets to teeth.

his conversation without identifying the person to whom he talked or the person's capacity (A 59-60). The same affidavit adds that "on April 29, 1974, I repeated this process, this time asking Lee's Order Department for a dealer in Brooklyn, New York" and then continues to describe *that* conversation, again without identifying, by name or capacity, the person actually involved (A 60). The subsequent May 29, 1974 affidavit indicates that it was a "girl who answered the telephone in the Order Department" (A 224) on the first improper prelitigation call, but otherwise adds nothing to the April 29 affidavit relative to the capacity or name of any person at Lee contacted in either call.

There is accordingly no record basis for the argument that "all Mr. Towell did was to obtain information from an order clerk of Lee. . . ." (C.B. 16) or for the assertions that "Lee's order clerks . . . are not officers, directors or managing agents of Lee and hence not adverse parties. . . ." (C.B. 16) and that "the information came directly from Lee's order clerk . . . ." (C.B. 16.)[4]

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[4] The question of whether the person consulted was or was not "an order clerk" is immaterial because it is common wisdom, of which any court may take judicial notice, that a company's order department is charged with knowledge of the identity of the company's customers as a part of its ordinary, day-to-day function within that company—with the result that Mr. Towell's surreptitious approach to the Lee order department was calculated to obtain a *sub rosa* admission by Lee against its own interest by tricky, unfair and unethical means, in derogation of the strictures of the Canons of Ethics.

It follows that in the context of the inquiry made unethically by Ceramco counsel "an order clerk" employed by Lee *is* "a party represented by counsel" just as much as an officer of Lee would be.

The lack of record support for the assignment of the role "order clerk" to the person consulted is hence important here *only* because Ceramco seems to imply at C.B. 16 that some distinction should be

(2) There is no record support for Ceramco counsel's assertion that "no other information of any kind was sought" (C.B. 3). Mr. Towell's first affidavit of April 29, 1974 (A 59-61; A 226-228) says nothing on the point, one way or another. His second affidavit of May 29, 1974 (A 223-225) says his first call "*consisted* of my asking the girl who answered the telephone in the order department for the names of dealers in New York" (A 224) and is thus at odds with the apposite paragraph (A 59-60) of the April 29, 1974 affidavit which describes a more extensive conversation including several questions posed by Mr. Towell and forecloses the possibility that the conversation could have "*consisted*" of one question only. The May 29, 1974 affidavit describes the second unethical call as "similar" to the first and avers "I did not discuss the case" (A 224) in the second call. This latter averment, even if assumed accurate,[5] does not disclaim the possibility that other pertinent and *private* Lee information was requested and obtained.

(3) The record contains no support for any of the assertions that the information which Mr. Towell

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made by this Court between the unethical elicitation of information from an order clerk and a similar unethical approach to an officer or director of the company.

[5] Pointedly, the district court has refused at Ceramco counsel's urging to permit Lee to take Mr. Towell's deposition for the purpose of examining him on the averments of his own two affidavits, or those of the verified complaint (A 8-14) and the concurrently filed Felton affidavit (A 18-49) both of which he not only authored, but posited at least partially on his own personal factual investigations and knowledge. One of several motions now pending before the district court is a motion for reconsideration of the denial of the right to take the Towell testimony.

In the absence of an opportunity for cross-examination, Mr. Towell's various sworn statements may *not* be utilized as evidence in Ceramco's favor on this appeal or elsewhere.

elicited from Lee's order department was "openly available to the public" (C.B. 2), "public knowledge" (C.B. 4), "information . . . which it [Lee] willingly and freely gives out to anyone" (C.B. 5), "public information" (C.B. 6), "information . . . freely made available by employees of the defendant to anyone who seeks it" (C.B. 7), or information which Lee's order department employees "concededly would and do give . . . to anyone who makes inquiry", "public", and analogous to "a sales catalog" or "other printed matter supplied by Lee" (C.B. 16). In point of fact, however, the question of whether the information is or is not "public" is not controlling and is of questionable relevance on this appeal. See Section V, *infra*, p. 17. Since Ceramco nonetheless posits much of its case on this point, this Court should be aware that its expression is at best a rank speculation.

In addition, this Court may take judicial notice of the fact that Lee Pharmaceuticals, a company engaged in making specialized professional products for a specialized professional market, does *not* deal through its order department with the general public. Mr. Towell's own April 29, 1974 affidavit avers that in his first unethical call to Lee, he "stated he was interested in Lee's Genie dental adhesive [sic] product" (A 59). Since neither of Mr. Towell's affidavits contain any suggestion that he supplied his own name or capacity in the course of his two telephone calls to the Lee order department, that department had every reason to believe that Mr. Towell was a prospective buyer of the product inquired about, and *no* reason to think otherwise. There is *no proof*, however, that Mr. Towell would have been given the information in question *if* he had apprised Lee's order department of his name or that he was

calling as Ceramco's lawyer to obtain information to use against Lee in adversary litigation—and every reason to think he would not.

(4) The representation that Lee "asserts in its brief that its prompt filing of a motion to dismiss for lack of jurisdiction as a practical matter 'left no time for the *ethical* development of the pertinent facts by use of the Federal Discovery Rules or otherwise' (Lee Br. p. 14)" (C.B. 5) is in the teeth of what Lee's brief *actually* says, *i.e.*, that "*The Johnson/Ceramco plan did not contemplate* and left no time for the *ethical* development of the pertinent facts by use of the Federal Discovery Rules or otherwise" (L.B. 14; "ethical" only emphasized in original). Lee's point was that Ceramco and its parent corporation, Johnson and Johnson, having disdained Lee's January 28, 1974 invitation (A 187-188) to supply pertinent facts underlying its January 16, 1974 threats (A 185-186) as a basis for amicable negotiation, instead clandestinely prepared for the institution of litigation with a view toward doing so in a manner calculated to result in issuance of an immediate and arbitrary preliminary injunction *before* Lee *could* ascertain the relevant facts and act to protect itself.

This Johnson/Ceramco scheme which preceded the litigation—and *not* Lee's subsequently filed Rule 12(b) motion—was the spur for Ceramco counsel's prelitigation bootleg call to Lee's order department. *But for* this Johnson/Ceramco scheme, the Lee Rule 12(b) motion could have been met in a fair and ethical manner, by taking post-complaint discovery. Far from attempting to "conceal" any of the facts that might be relevant to the Rule 12(b) motion as Ceramco has three times inaccurately charged (C.B. 13, 18, 19), Lee counsel, at the April 30, 1974 hear-

ing, albeit declining to answer in open court questions then outside her knowledge, personal or derivative, as to where the Lee Genie product was being sold, challenged Ceramco to take proper discovery, saying "Mr. Towell is, of course, free to ask interrogatories or requests for admissions on these subjects and if he wants to ask them we will answer them to the best of our ability. . . ." (A 90). In short, the attempted suggestion that unethical methods were necessary to permit Ceramco to meet Lee's Rule 12(b) motion is *false*, and so is the implication that Lee insisted the motion had to be met with inordinate speed.

(5) It is *not true* that "Lee's basic complaint at all times . . . has been that indisputable and nonprivileged information was obtained with sufficient speed to expose as sham its motion to dismiss for lack of jurisdiction and venue," (C.B. 6) or that the tainted information is "concededly . . . relevant to the question of jurisdiction," (C.B. 7) or that "the only consequences of the alleged unethical conduct . . . was that Lee was unable to conceal the indisputable facts establishing jurisdiction," (C.B. 13) or that "dealers of Lee . . . could and did give testimony indisputably refuting Lee's claim of lack of jurisdiction and venue" (C.B. 16) or that "Lee's complaint here is that Ceramco obtained these nonprivileged facts in May in time to defeat its motion to dismiss for lack of jurisdiction thereby negating its attempt to conceal these facts." (C.B. 18)

Lee does not now and has never conceded that the tainted facts elicited by Ceramco counsel from Lee through unethical means establish either "jurisdiction" or venue or are otherwise sufficient to defeat Lee's Rule 12(b) defenses. Those Rule 12(b) defenses, moreover, are still viable even though pre-

liminarily denied below, the denial being subject to appellate review in this Court at such time, if ever, as adjudication on the merits is entered below and the whole case comes before this Court on appeal.[6] No aspect of the merits of the district court's Rule 12(b) ruling being cognizable in this Court at this time, this Court may not *a priori* assume the correctness of district court's ruling as a premise for its disposition of this appeal, as Ceramco suggests it should.

In addition, the Court should be aware that the record shows this appeal would have been taken regardless of and independently from the district court's ruling on the Rule 12(b) motion. Thus, Lee counsel clearly told the district court on May 30, 1974 that Lee would appeal from its denial of the motion to disqualify and for other relief (A 235; A 246-7) *well before* that court announced its 12(b) ruling or gave any indication it was ready to do so (A 264).

Finally, Lee's "complaint" on this appeal is correctly described in Lee's opening brief (see L. Br. 4-5 and 14, particularly) and is again summarized in Section I, *supra*, p. 1. It is not premised on the outcome of the Rule 12(b) motion but upon the unfair advantage Ceramco gained from the bootleg

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[6] Lee on June 10, 1974 appealed from the district court's denial of its Rule 12(b) motion based on counsel's initial reading of the then new decision of the Supreme Court in *Eisen* v. *Carlisle & Jacquelin*, —— U.S. ——, 40 L. Ed. 2d 732, decided May 28, 1974. Upon further study Lee counsel reached the conclusion that denial of its Rule 12(b) motion is unlikely to fit within the basic doctrine of *Cohen* v. *Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949), which underlies the *Eisen* case. A stipulation dismissing that appeal without prejudice to Lee's right to challenge the Rule 12(b) motion ruling in connection with an appeal from the district court's final decision on the merits was accordingly consummated and filed in this Court on September 10, 1974.

information before the Rule 12(b) motion was ever filed.

(6) Nor is it correct that the trial of this case, into which the district court on May 30, 1974[7] merged the preliminary injunction hearing initially requested by Ceramco "is expected to take place shortly" (C.B. 3). The present status of the proceeding in the district court is that a reference to a magistrate was made on July 16, 1974 for a plurality of purposes including the disposition of all outstanding pretrial matters. The magistrate held an oral hearing on August 1, 1974 and the parties thereafter stipulated that he could rule upon the various pending pretrial matters with the same force and effect as a judge. Subsequently, he made no rulings and offered no recommendations.

On Tuesday, October 15, 1974 Lee counsel was informed in a telephone conversation initiated by the present law clerk of the assigned district judge that the magistrate has now returned the entire case to the judge without making any disposition of, or recommendation on, any outstanding matter. In accordance with that telephone conversation, Lee counsel understands that the district judge has scheduled an oral hearing for October 31, 1974 having the purpose to ascertain the present progress of the case and to determine what matters are still outstanding.[8]

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[7] And *not* in June as Ceramco states (C.B. 3).

[8] These outstanding matters now include at least ten unresolved pretrial motions. While it has been and continues to be Lee's position that, armed with a favorable ruling on all of its pending motions relating to pretrial discovery, it *could* then fully prepare itself for trial on the merits in approximately two full work weeks of documentary and deposition discovery—and this may have prompted Ceramco's asserted expectation of trial "shortly"— the fact is that Lee has not yet been advised of the district court's present intentions, if any, relative to trial.

Ceramco's representation that "a trial is expected to take place shortly" (C.B. 3) is, of course, an effort to justify its assertion that a ruling in Lee's favor on this appeal would result in "a waste of judicial and legal resources" (C.B. 2; see also C.B. 7). This Court should accordingly be aware that sinc this appeal was taken the district judge's activity in this case has been limited to one brief hearing on July 1, 1974 which dealt solely with a motion by Ceramco seeking to excuse all of its employees and privies from giving deposition testimony in this case and the entry of the aforementioned order of reference to the magistrate on July 16, 1974. At this juncture, accordingly, the district judge has not expended significantly more time on this case than he had in early June when this appeal was taken.[9]

It *is* true that, consequent from the previous refusals by this Court and the district court to stay the proceedings below pending disposition of this appeal, Lee went forward in June and July, 1974 with a substantial pretrial discovery program and completed it to the extent it could do so, pending rulings on its now outstanding motions,[10] while Ceramco also took some discovery, including a deposition of Lee's president. We see no reason, however, why this discovery would not be usable to the same

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[9] Any danger that judicial resources might be significantly wasted between now and this Court's ruling on appeal could be obviated, moreover, by now staying proceedings in the district court—an eminently practical possibility at this point.

[10] A fact which Lee stands ready to prove by reference to the record below if the Court is at all disposed to consider, for any purpose, Ceramco's unsupported and untrue innuendoes that Lee has attempted "to avoid an adjudication on the merits" (C.B. 11; see also C.B. 13) by some form of dilatory conduct or in any manner other than the attempt necessarily implicit in this effort to preserve its rights to fairness.

degree in a subsequently initiated action in which Ceramco was represented by new counsel in a different forum—with the result that the only "legal resources" even arguably "wasted" if Lee prevails on this appeal are those tainted by Ceramco counsel's challenged misconduct.

We also note that, as demonstrated *in extenso* in Lee's opening brief (L.B. 9-10) the Lee motion to disqualify and for other relief (A 183-202) was timely brought after Lee, having learned of Ceramco counsel's breach of ethics, was advised by such counsel that an opportunity we immediately informally afforded them to purge the consequences of their own misconduct had been flatly rejected. In such circumstances, any subsequent "waste" of either judicial or legal resources that *may* have occurred is not Lee's fault and cannot properly be invoked to defeat Lee's right to a fair hearing.

IV. THIS APPEAL IS PROPERLY BEFORE THIS COURT

Ceramco's main argument on this appeal is that both *nisi prius* and appellate jurisdiction are lacking because adjudication of professional misconduct is a prerogative of bar associations (C.B. 8, 12-15). This overlooks the fact that Lee's objective here, as it was in the court below, is to vindicate its right to a hearing that is, and appears to be, wholly fair—*not* to punish Ceramco counsel personally for their misfeasances.[11] Courts being the sole arbiters of what constitutes a fair trial and the

[11] Lee has preserved fully and has not waived its right to address a grievance to the apposite bar association suggesting that Ceramco counsel *should* be appropriately disciplined for the misconduct at issue on this appeal and for other unprofessional conduct before the district court. The punishment of Ceramco counsel which may result, however, could not in any event assure Lee a fair trial in the district court.

conservators of the integrity of the judicial process, Lee properly brought its motion, based on the jeopardy to both inherent in Ceramco counsel's challenged conduct, in the district court [12] and equally properly appealed its denial to this Court.[13]

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[12] Prior cases in which courts have dealt with issues of disqualification of counsel for ethical breaches have all consistently involved the question of whether, absent disqualification of the offending opposing counsel, the adverse party *could* receive a fair trial—or even one *appearing* to be wholly fair. See *Emle Industries, Inc.* v. *Patentex, Inc.*, 478 F.2d 562 (2 Cir. 1963) cited and quoted at L.B. 18 and 21. See also this Court's own decision in *General Motors Corp.* v. *City of New York*, —— F.2d ——, Appeal Nos. 73-2351 and 73-2585, decided June 28, 1974, especially the portion quoted at L.B. 18-19.

[13] See *Silver Chrysler Plymouth* v. *Chrysler Motors Corp.*, 496 F.2d 800 (2 Cir. 1974). Contrary to Ceramco's arguments (C.B. 8-10), *Silver Chrysler* and *General Motors, supra*, note 12, are not predicated upon the offending lawyer's continued capacity or competency to represent his own client, but upon the real danger that the adverse party will be deprived of a hearing that *is, and appears*, wholly fair. It is in this context that *Silver Chrysler* referred to possible "grave consequences to the losing party" on the disqualification motion (496 F.2d at 805) and decreed that denials of such motions are immediately appealable "lest . . . trial be tainted on the merits by an issue collateral thereto" (405 F.2d at 803).

Obviously, the "taint" can arise as a result of any unethical conduct by opposing counsel that reasonably impairs the adversary's right to fair trial—*not* just the specific misconduct described in *Cord* v. *Smith*, 338 F.2d 516 (9 Cir. 1964) cited and quoted at C.B. 10.

Any contrary argument is laid to rest by *General Motors*, in which the "grave consequences" to the adversary were held to inhere in the "appearance of evil" doctrine—and opposing counsel was hence disqualified "without in the least even intimating that Reycraft himself was improperly influenced while in government service, or that he is guilty of any actual impropriety", the court holding that "we must act with scrupulous care to avoid any *appearance* of impropriety lest it taint both the public and private segments of the legal profession" (slip op. at 4544; emphasis in original) and thereby jeopardize the adverse party's right to a trial that *appears* wholly fair.

To put it another way, since bar associations have no prerogative to intervene in actual cases pending before the courts for the purpose of protecting one party against the excesses of opposing counsel's prejudicial unethical conduct, there is *no way* in which Lee could be made whole *in this case* by any order or action of a bar association.

Lee has *not* contended that district and appellate courts, singly or together, should *replace* bar associations in their legitimate function of administering personal discipline to their members—a result not sought in this Court or below. Hence Ceramco's various arguments against that state of affairs (C.B. 8-15) including its reliance upon *Crimmins* v. *American Stock Exchange*, 368 F. Supp. 270 (S.D. New York 1973) are wholly misplaced.[14]

Lee does contend that it has been injured and unfairly disadvantaged by Ceramco's use of information obtained by Ceramco counsel through trickery as the basis for instituting litigation in the distant and inconvenient Brooklyn forum and that Rogers & Wells, having unethically contrived the trickery and the use of the information thereby acquired, must be disqualified from

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[14] Lee has observed that consonant with detailed observations by former Stanford Law School Dean Manning in 60 ABA Journal 121 (1974) the bar's disciplinary enforcement is often sadly inadequate but has *not* done so, as Ceramco mistakenly imagines, for the purpose of suggesting that the courts should *sua sponte* "supplant" (C.B. 2; see also C.B. 8, 12, 13, 14, 15) the bar associations in their proper disciplinary sphere. Rather, our suggestion is that the bar associations sorely need the moral and ethical leadership which the courts *can* provide by carefully and correctly deciding cases such as this one in which interpretation of the Canons of Ethics is a necessary adjunct to resolving a properly raised issue of whether a party's right to a trial that *is*, and *appears*, fair is compromised by the continued participation of opposing counsel whose unethical conduct has injured, or is reasonably likely to injure, that party.

further participation in the case in any forum in order to preserve both the appearance and the actuality of fair trial. A law firm that has unethically contrived to obtain adverse party information, knowing that such information could not ethically be obtained *at that time* and has then used it to gain unfair advantage over the injured party cannot realistically be heard to urge that its continued participation in the controversy can be excused as less culpable than that of a law firm, one member of which once had access to the adverse party's private information, but endeavored to insulate himself against learning it and hence has no possibility of using it against the adversary—yet the latter situation resulted in disqualification, following this Court's "strict prophylactic rule as applied in *Emle* (note 12, *supra*). See *Freeman* v. *Hammond Corp.*, —— F.2d ——, decided by the Court of Appeals for the Seventh Circuit on April 2, 1974.

As *Emle*, *Freeman*, *Silver Chrysler*, *General Motors* and related cases have already demonstrated, courts and bar associations play complementary rules in the ethical field—the former in preserving the rights of actual parties in specific litigation by ordering disqualification when appropriate, sometimes even when misconduct is only threatened and not actual, and the latter in administering the personal sanctions of reprimand, disbarment and the like when an individual lawyer's conduct warrants it.

Ceramco further argues as the second string to its "jurisdictional" approach, that entertainment of *this* appeal on the merits would have the effect of forcing the courts to adjudicate the merits of "every charge of professional misconduct" (C.B. 2; Issues 1 and 2), every "intraprofessional spat" (C.B. 13), thereby needlessly overburdening them and clogging their already overcrowded dockets at both the trial and appellate levels

(C.B. 8, 9, 11, 13-15). This argument lacks substance because the great preponderance of the possible ethical violations *can* injure only the offending counsel's own client or the legal profession as a whole and pose no threat to an adverse party, while those which could injure the adversary are relatively few and will not be in any way increased by this Court's entertainment of *this* appeal.[15]

In short, this Court's continued adherence to the principle that both district and appellate courts *must* act to disqualify counsel for conduct which jeopardizes the adverse party's right to a fair trial or threatens to tarnish the purity of the judicial process, or both, is wholly in order. It should be applied in this case to grant the relief Lee seeks.

V. JUDICIALLY CREATED EXCEPTIONS TO THE CANONS ARE UNWARRANTED

In *General Motors*, *supra*, this Court noted that "The Preliminary Statement of the Code of Professional Responsibility recites: '[t]he Disciplinary Rules . . . are mandatory in character . . . [and] state the minimum level of conduct below which no lawyer can fall without being subject to disciplinary action'." (Slip Op. at 4532, n. 11). Ceramco, nonetheless urges that its counsel's acknowledged prelitigation call to Lee's order department made with full knowledge that Lee had counsel and for

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[15] Thus, they do *not* include such matters as improper publicity, unprofessional advertising or solicitation, champerty and maintenance, impropriety committed in connection with the lawyer's own application for admission to the bar, misappropriation of the funds of the lawyer's client, failure to act competently on behalf of his own client, and other like offenses which, however professionally culpable, could not affect the interests of the adverse party.

Rather, they are limited to instances in which past or present interaction has occurred between a party's counsel and his adversary in actual litigation, such that the adversary's rights are, or reasonably *may* be, compromised thereby.

the purpose of obtaining advance information to be used to gain an unfair advantage,[16] and its post-litigation repeat call, should be excused because the information thus obtained is unchallenged or public, or both.

The argument is tantamount to suggesting there is no impropriety in stealing a telephone book from a public telephone booth for the purpose of procuring, quickly, a written record of a set of telephone numbers, inasmuch as telephone books are public record documents, copies of which are both readily available from the telephone company on request and accessible in various public places, the included information being both "public", and, in most cases, accurate.

The short answer is that in neither case does the end justify the means—as the apposite Canon 7 and its associated DR 7-104(A)(1) on their face clearly recognize.[17] The circumstance that Ceramco *could* ethically and licitly have obtained the same information through discovery *after the litigation commenced* does not legitimatize its surreptitious and unethical elicitation at an unauthorized prelitigation stage.[18] The means by which

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[16] Ceramco's argument that these calls "in no way dealt with the subject matter of the controversy" (C.B. 19) is inexplicable for at least two reasons. First, "jurisdiction" and the facts underlying it are at the heart of every controversy. Second, the controversy as framed by the verified complaint necessarily raises the issue of whether Lee distributed its "Genie" orthodontic bracket adhesive in interstate commerce before any date Ceramco can claim for "Gold Genie" or "Ceramic Metal Genie" patching compositions, or vice versa, and in what states the prior distribution occurred—with the result that the location and identity of Lee's dental dealer customers is directly germane within the scope of Rule 26(b) to the merits.

[17] Canon 7 and DR 7-104(A)(1) are quoted at L.B. 15.

[18] The fact that Ceramco counsel found it necessary to call Lee's order department in California without identifying himself instead of resorting to a library or other public repository in New York, coupled with the admission that the "evidence" obtained "would

Ceramco counsel obtained the bootleg information and the unfair advantage they took of it in derogation of Canon 5 are, taken together, analogous to the entrapment tactic which, if proved in a criminal case, mandates dismissal of the indictment on fair trial grounds—and should lead to a similar result in this civil case on the same grounds.

Ceramco's criticism of *Inglett & Co.* v. *Everglades Fertilizer Co.*, 255 F.2d 342 (5 Cir. 1958), *Welcher* v. *United States*, 14 F.R.D. 235 (E.D. Ark. 1953), and, by implication, *Turk* v. *McKinney*, 58 S.E. 2d 388 (Sup. Ct. App. W. Va. 1949) cited and quoted at L.B. 24-25, as inapplicable because "the Court below heard live testimony from Lee's own dealers [i.e. customers]" impliedly reciting the tainted information "at the May 9, 1974 hearing" (C.B. 17) is inapposite. Its suggestion that this circumstance mooted the improper testimony of Ceramco's counsel given in derogation of Canon 5 ignores the fact that Ceramco counsel's tainted testimony presented in the verified complaint (A 8-13) and concurrent Pelton affidavit (A 18-49), as reaffirmed in the Towell affidavit of April 29 (A 58-61) *had* afforded the desired unfair advantage one month earlier, as of April 12, 1974 when the litigation was filed.

Ceramco's attempted criticism of Lee's Canon 7 cases (L.B. 21-24) to the effect that Lee's rights were not such that they "could have been protected by the presence of an attorney" (C.B. 18) cannot be rationalized with the obvious fact that an attorney of average competence, if a participant in either of the tained phone calls, would have advised Lee's order department that it had no obligation to answer the questions of opposing counsel until and unless they were posed in proper discovery under the Federal Rules—and would thus have saved Lee

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not have been given me if I had requested it of defense counsel" (A 224) exposes as disingenuous the argument that the information in issue was "public".

from the non-obligatory premature disclosure which enabled Ceramco to gain its unfair advantage in the institution of the suit.

Ceramco finally argues that Lee has cited no cases which "even hinted that the offending attorney was to be disqualified and that the case should be re-started" (C.B. 18). While Lee has not been able to find any case in which bootleg information was unethically elicited before suit to gain an unfair advantage in choice of forum, the principles to be derived from the decided cases (L.B. 21-24) involving unethical elicitation of similarly tainted information at other stages of litigation are clear—and they lead inexorably to the conclusion that the relief requested by Lee should be granted. *In fact*, since Canon 5 has been violated, the *minimum* relief to which Lee is entitled, consistent with DR 5-102 (L.B. 16), is disqualification of Ceramco counsel.

Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

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CERAMCO, INC.,

Plaintiff-Appellee,

v.

Docket No. 74-1757

LEE PHARMACEUTICALS,

Defendant-Appellant.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that three copies of defendant-appellant, LEE PHARMACEUTICALS, Reply Brief were served on plaintiff-appellee, CERAMCO, INC., by personally delivering them to Rogers & Wells, 200 Park Avenue, New York, New York, 10017, counsel for plaintiff-appellee.

October 23, 1974

Martin J. Spellman

Martin J. Spellman, Jr.